

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name JONESFIELD/LAKEFIELD FIRE DISTRICT	County SAGINAW
Audit Date 12/31/04	Opinion Date 3/6/06	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48608
Accountant Signature <i>Gardner A Thomas CPA</i>		Date 3/31/06	

**JONESFIELD/LAKEFIELD FIRE DISTRICT
MERRILL, MICHIGAN**

**FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

March 6, 2006

Members of the Board
Jonesfield/Lakefield Fire District
Merrill, Michigan 48637

We have audited the financial statements of the governmental activities of Jonesfield/Lakefield Fire District for the year ended December 31, 2004, which comprise the Jonesfield/Lakefield Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jonesfield/Lakefield Fire District, as of December 31, 2004, and the results of its operations for the years then ended in conformity with U.S. generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

Members of the Board
Jonesfield/Lakefield Fire District
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As described in Note 6, the District has implemented a new financial reporting model, as required by the provisions of the GASB Statement No.34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements, but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Gaudner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

JONESFIELD/LAKEFIELD FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

INTRODUCTION

The Jonesfield/Lakefield Fire District (District) is a special purpose government engaged in a single government program of fire protection in the County of Saginaw, Michigan. The adoption of GASB-34 for the year ended December 31, 2004 changed the District financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For the District, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings, equipment and vehicles). Capital assets are not recognized as assets and are not capitalized at the governmental fund level.

As allowed for single purpose governments, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of the District are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,
- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

Since this is the first year of adoption, prior year comparison is not available. The comparison will be available in future years.

REPORTING THE FIRE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities, the government-wide financial statements, report information about the District as a whole and about its activities in a way that helps answer the question of whether the District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting,

JONESFIELD/LAKEFIELD FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

REPORTING THE FIRE DISTRICT AS A WHOLE (continued)

which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements, mentioned above, report the District's net assets and changes in them. The reader can think of the District's net assets (the difference between assets and liabilities) as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

REPORTING THE DISTRICT'S MAJOR FUND

The District currently has only one fund, the General Fund, in which all of the District's activities are accounted. The General Fund is a governmental fund type.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the District, net assets decreased by \$73,484 to \$524,084 at December 31, 2004.

The largest portion of the District's net assets (89%) reflects investment in capital assets net of depreciation. The District uses these capital assets to provide service to citizens.

JONESFIELD/LAKEFIELD FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

The second largest portion of net assets (11%) reflects unrestricted net assets that may be used to meet the government's ongoing obligations.

As of December 31, 2004, the District is able to report positive balances in both two categories of net assets.

	<u>Government Activities</u>
Assets	
Current assets	\$ 60,441
Noncurrent assets	467,190
Total Assets	<u>527,631</u>
Liabilities	
Current liabilities	3,547
Total Liabilities	<u>3,547</u>
Net Assets	
Investment in capital assets	467,190
Unrestricted	56,894
Total Net Assets	<u>\$ 524,084</u>

The District's net assets decreased by \$73,484 for the year ended December 31, 2004. This decrease was mainly due to depreciation charged.

	<u>Governmental Activities</u>
Revenues	
Property taxes	\$ 146,118
Interest income	1,270
Contributions and memorials	6,540
Total Revenues	<u>153,928</u>
Program Expenses	
Fire protection	<u>227,412</u>
Change in Net Assets	(73,484)
Net Assets-Beginning	597,568
Net Assets-Ending	<u>\$ 524,084</u>

JONESFIELD/LAKEFIELD FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The General Fund balance increased by \$11,074. This increase was very close to what was anticipated. Actual revenues were greater than anticipated revenues by \$1,000, mainly due to donations received. Actual expenditures were more than anticipated due to more repair and maintenance expense incurred.

BUDGETARY HIGHLIGHTS

Original Versus Amended Budget

The District made revisions to the original appropriations as approved by the Board. The variances in the first budget versus the final budget for revenue are as follows:

- The first budget had an estimated amount budgeted for property taxes. As final numbers were available, the budget was amended up by \$3,118 to reflect a more accurate amount for property tax revenue.
- The budget for contributions and memorials was amended to reflect a more accurate amount anticipated as the year progressed.

The variances in the first versus final budget for expenditures are as follows:

- The budget for capital outlay was decreased by \$8,861. As the year progressed, the Board found that not all the capital outlay planned to be purchased needed to be purchased.
- The Budget for the chief's expenditures was increased due to more firefighters attending a conference than originally anticipated.
- The budget for repairs and maintenance was increased by \$15,069 to accommodate additional repairs on several pieces of equipment.

Final Budget Versus Actual Results

The variances in the final budget versus actual results for revenue were considered insignificant by management.

The variances in the final budget versus actual expenditures are as follows:

- The variance in capital outlay and miscellaneous offset each other. Equipment purchases that did not meet the capitalization policy of \$1,000 were reclassified during audit fieldwork to miscellaneous expenditures.
- The variance in repairs and maintenance is due to additional repairs to truck number six that were made after the final budget was adopted.

JONESFIELD/LAKEFIELD FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of December 31, 2004, the District had \$467,190 in capital assets. Additional information about capital assets can be found in Note 3 to the financial statements.

At December 31, 2004, the District had no long-term debt.

CURRENTLY KNOWN FACTS:

The District's Board is in the process of raising funds to build a new building.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is intended to provide our citizens and customers with a general overview of the District's accountability for the money it receives. If you have questions about this report contact the Fire Chief at 204 West Mahoney Street, Merrill, Michigan 49867.

BASIC FINANCIAL STATEMENTS

JONESFIELD/LAKEFIELD FIRE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Current Assets			
Cash	\$ 25,339	\$ -	\$ 25,339
Investments	33,371	-	33,371
Accounts receivable	1,731	-	1,731
Capital assets, net of accumulated depreciation	-	467,190	467,190
Total Assets	<u>\$ 60,441</u>	<u>467,190</u>	<u>527,631</u>
<u>Liabilities</u>			
Liabilities			
Accounts payable	\$ 3,445	-	3,445
Payroll taxes payable	102	-	102
Total Liabilities	<u>3,547</u>	<u>-</u>	<u>3,547</u>
<u>Fund Balance/Net Assets</u>			
Fund Balances:			
Unreserved/Undesignated	56,894	(56,894)	-
Total Liabilities and Fund Balance	<u>\$ 60,441</u>		
Net Assets:			
Invested in capital assets		467,190	467,190
Unrestricted		56,894	56,894
Total Net Assets		<u>\$ 524,084</u>	<u>\$ 524,084</u>

The accompanying notes are an integral part of these financial statements.

JONESFIELD/LAKEFIELD FIRE DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 146,118	\$ -	\$ 146,118
Interest income	1,270	-	1,270
Contributions and memorials	6,540	-	6,540
Total Revenues	<u>153,928</u>	<u>-</u>	<u>153,928</u>
Expenditures/expense			
Current			
Capital outlay	6,848	(6,848)	-
Chief's expenditures	9,095	-	9,095
Depreciation	-	91,406	91,406
Fire board	6,917	-	6,917
Firefighter services	12,000	-	12,000
Insurance	17,059	-	17,059
Pager lease	3,310	-	3,310
Engine lease	24,506	-	24,506
Miscellaneous	7,647	-	7,647
Repairs and maintenance	38,433	-	38,433
Telephone	3,099	-	3,099
Training	4,045	-	4,045
Truck expense	2,565	-	2,565
Utilities	7,330	-	7,330
Total Expenditures	<u>142,854</u>	<u>84,558</u>	<u>227,412</u>
Excess of Revenue Over (Under) Expenditures	11,074	(11,074)	-
Change in Net Assets	-	(73,484)	(73,484)
Fund Balance/Net Assets - Beginning of Year	45,820	548,748	597,568
Fund Balance/Net Assets - End of Year	<u>\$ 56,894</u>	<u>\$ 475,264</u>	<u>\$ 524,084</u>

The accompanying notes are an integral part of these financial statements.

JONESFIELD/LAKEFIELD FIRE DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUND BALANCE
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2004

Fund balances of Governmental Funds	\$	56,894
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.		
Cost of the capital assets		949,791
Accumulated depreciation		(482,601)
Net Assets of Governmental Activities	\$	<u>524,084</u>

The accompanying notes are an integral part of these financial statements.

JONESFIELD/LAKEFIELD FIRE DISTRICT
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances --total Governmental Funds	\$ 11,074
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Amounts reported for governmental activities in the statement of activities
 are different because:

Capital assets used in governmental activities are not financial
 resources; and therefore, are not reported in the funds.

Depreciation expense	(91,406)
Capital Outlay	6,848

Change in Net Assets of Governmental Activities	<u>\$ (73,484)</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

JONESFIELD/LAKEFIELD FIRE DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Fire District receives funding from local and state government sources and must comply with the requirements of these funding source entities. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the District and do not include any other component within its financial statements.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District. There is only one fund reported in the government-wide financial statements. This government-wide approach is focused more on the sustainability of the District as an entity and the change in the District's net assets from the current year's activities.

Funds

The accounts of Jonesfield/Lakefield Fire District are organized and operated on the basis of funds. The financial activities of the Fire District are recorded in one fund, categorized as follows:

Governmental Fund

General Fund – This fund is used to account for all financial resources of the District. Revenues are primarily derived from taxes, donations, and grants. Expenditures are charged for the purpose of the general operation of the Fire District.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets, and the Statement of Activities presents increase (revenue) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or 60 days after the current period. Expenditures are recorded when the related fund liability is incurred.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General Fund as required by U. S. generally accepted accounting principles. The Fire District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 31, the Fire District approves a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to December 31, the budget is legally enacted through passage of a resolution.
3. Adoption and amendments of all budgets used by the Fire District are governed by Public Act 621, which was complied with, during the year ended December 31, 2004.

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. Budgeted amounts are as originally adopted or as amended by the District Board. Budgets are adopted at the activity level.
5. The District does not encumber expenditures and budgets lapse at year-end.

Budget variances are illustrated in the supplementary information.

Cash and Cash Equivalents

Cash includes demand deposits. The District considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments include a long-term Certificate of Deposit recorded at cost, which is market value.

Capital Assets

Capital assets, which include buildings, fire equipment, office furniture and vehicles are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25-50 years
Fire Equipment	12 years
Office Equipment	15 years
Vehicles	8 years

Liabilities

Liabilities consist of vendor payables and payroll taxes payable.

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets represent the cost of the asset, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At this time, the District has no restricted net assets. Unrestricted net assets are available to fund the District's purpose of fire protection.

NOTE 2--Cash and Investments

The Fire District is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Fire District is also authorized to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS,
- b. TINTS – Treasury Interest Securities,
- c. PRINS or STRIPS – Treasury Principal Securities,
- d. Certificates of Deposit, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper – short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash,
- f. Repurchase Agreements,
- g. Banker's Acceptance, and
- h. Investment Pools.

At year-end the carrying amount of the District's deposits was \$25,339. The bank balance was \$27,967.

The District's deposits are categorized below according to level of credit risk:

- Category 1 represents the District's insured or collateralized deposits with securities held by the commission or by its agent in the commission's name.
- Category 2 represents District's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 represents the District's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Cash and Investments (continued)

At December 31, 2004, \$5,000 in demand deposits and \$33,371 in certificates of deposit were considered category 1. Demand deposits of \$22,967 were considered category 3. These deposits are held in a non federally insured repurchase account.

It is the policy of the District to invest their funds in a manner, which will provide the highest investment return with the maximum security while meeting the daily cash needs of the District.

NOTE 3--Capital Assets

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
GOVERNMENTAL ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 41,411	\$ -	\$ -	41,411
Capital assets subject to depreciation				
Buildings	129,633	-	-	129,633
Fire equipment	196,474	5,348	-	201,822
Office equipment	3,715	-	-	3,715
Vehicles	571,710	-	-	571,710
Construction in progress	-	1,500	-	1,500
Subtotal	942,943	6,848	-	949,791
Accumulated Depreciation				
Buildings	12,227	2,948	-	15,175
Fire equipment	72,232	16,746	-	88,978
Office equipment	1,238	248	-	1,486
Vehicles	305,498	71,464	-	376,962
Subtotal	391,195	91,406	-	482,601
Net governmental capital assets	\$ 551,748	\$ (84,558)	\$ -	\$ 467,190

NOTE 4--Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the District carried commercial insurance for the above listed risks of loss.

NOTE 5--Lease Commitments

The District entered into a lease agreement with an unrelated party for pagers. The lease was for one year. During the year ended December 31, 2004, the pagers were leased on a month-to-month basis. Expenditures under the lease were \$3,310.

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Lease Commitments (continued)

During the year ended December 31, 2002, the District entered into a lease for a fire truck with Jonesfield Township. The amount expensed under the lease for the year ended December 31, 2004 was \$24,506. Future estimated lease payments are as follows:

December 31,		
2005	\$	23,409
2006		22,678
2007		21,947
2008		21,216
Thereafter		143,400
		<u>\$ 232,650</u>

NOTE 6--GASB Pronouncements Adoption

As of and for the year ended December 31, 2004, the Commission implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- *No.34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- *No.37 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- *No.38 – Certain Financial Statement Note Disclosures*

Interpretations

- *No.6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005.

The more significant of the changes required by the new standards include:

Basic financial statements that include:

- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;

JONESFIELD/LAKEFIELD FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6--GASB Pronouncements Adoption (continued)

- Budgetary schedules;
- Notes to the basic financial statements.

As a result of implementing the GASB 34 statement, the following restatements were made to the beginning balance of net assets:

<u>As of January 1, 2004</u>	
Fund Balance-Governmental Activities	\$ 45,820
Capital Assets	942,943
Accumulated Depreciation	<u>(391,195)</u>
Net Assets-Governmental Activities	<u>\$ 597,568</u>

REQUIRED SUPPLEMENTAL INFORMATION

Jonesfield/Lakefield Fire District
Required Supplemental Information-General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 143,000	\$ 146,118	\$ 146,118	\$ -
Interest income	50	1,585	1,270	(315)
Contributions and memorials	1,000	5,540	6,540	1,000
Total revenues	<u>144,050</u>	<u>153,243</u>	<u>153,928</u>	<u>685</u>
Expenditures				
Capital outlay	18,000	9,139	6,848	(2,291)
Chief's expenditures	5,000	8,947	9,095	148
Fire board	6,500	6,908	6,917	9
Firefighter services	12,000	12,000	12,000	-
Insurance	15,000	17,059	17,059	-
Pager lease	4,000	3,310	3,310	-
Engine lease	25,000	24,506	24,506	-
Miscellaneous	3,150	5,180	7,647	2,467
Repairs and maintenance	21,000	36,069	38,433	2,364
Telephone	2,500	2,830	3,099	269
Training	3,000	3,675	4,045	370
Truck expense	2,000	2,450	2,565	115
Utilities	6,600	7,353	7,330	(23)
Total expenditures	<u>123,750</u>	<u>139,426</u>	<u>142,854</u>	<u>3,428</u>
Excess (deficiency) of revenues over expenditures	20,300	13,817	11,074	(2,743)
Fund balance, beginning	45,820	45,820	45,820	-
Fund balance, ending	<u>\$ 66,120</u>	<u>\$ 59,637</u>	<u>\$ 56,894</u>	<u>\$ (2,743)</u>

The accompanying notes are an integral part of these financial statements.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

March 6, 2006

Jonesfield/Lakefield Fire District
Merrill, Michigan

We have audited the financial statements of Jonesfield/Lakefield Fire District, for the year ended December 31, 2004, and have issued our report thereon dated March 6, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 21, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Jonesfield/Lakefield Fire District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Jonesfield/Lakefield Fire District, are described in Note 1 to the financial statements. The District adopted GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as of January 1, 2004. We noted no transactions entered into by Jonesfield/Lakefield Fire District, during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For the purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Fire District's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed many audit adjustments to reconcile equity and liabilities. The proposed audit adjustments, in our judgment, were not material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. The condition of the financial records was greatly improved from prior years.

This information is intended solely for the use of Fire Board and management of Jonesfield/Lakefield Fire District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gardner, Pruneyane, Schumann & Thomas, P.C.

Certified Public Accountants